September 2005

To: Medicare-Eligible Retirees

The Medicare Modernization Act of 2003 established a voluntary prescription drug benefit program that becomes available to Medicare eligible participants effective January 1, 2006. This letter explains the new Medicare Prescription Drug Coverage, how this new Medicare coverage affects your Skidmore prescription drug and medical coverage, and what you need to do now. At this time, we urge you NOT to enroll in the Medicare prescription plan.

We believe the new Medicare prescription plan provides adequate coverage and is a great opportunity for individuals and retirees who don’t already have employer-sponsored drug coverage to obtain drug benefits. For Skidmore College retirees and those who are otherwise Medicare eligible, our own prescription drug benefits are better than the standard coverage offered by Medicare. For this reason, you do not need to enroll in Medicare Prescription Drug Coverage during Medicare’s enrollment window starting this November and ending next May.

You do not need to do anything to keep the prescription drug coverage you now have under the Skidmore College PPO, MVP Health Plan, or Capital District Physicians’ Health Plan. However, please be aware that if you do decide to enroll in the Medicare Prescription Plan, you will lose coverage in the Skidmore College retiree medical plans (both medical and prescription coverage), and you will not be allowed to re-enroll in the Plan in the future.

About Medicare Prescription Drug Coverage
Private insurance carriers will provide the new Medicare prescription drug coverage and charge individuals a monthly premium. These Medicare Prescription Drug Plans (PDPs) will offer different versions of Medicare-approved plans to Medicare-eligible participants starting January 1, 2006. The benefits will be based on a standard plan determined by Medicare.

Please be aware that in October, you will begin receiving materials from Medicare Prescription Drug Plans (PDPs) encouraging you to join their programs. They will be soliciting you by mail and telephone. The enrollment period begins November 15, 2005.

Medicare recognizes that many participants, like you, already have generous prescription drug coverage through their current or former employers. Below is a comparison of our plan and the standard plan under Medicare:

<table>
<thead>
<tr>
<th>After You Pay the Annual Deductible</th>
<th>Skidmore College Retail Pharmacy</th>
<th>Skidmore College Mail Service Pharmacy</th>
<th>Standard Medicare Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Deductible</td>
<td>None</td>
<td>None</td>
<td>$250 per person</td>
</tr>
<tr>
<td>The plan pays</td>
<td>100%, after you pay</td>
<td>100%, after you pay</td>
<td>75% until drug costs reach $2,250; then 0% until your out-of-pocket costs reach $3,600; and then 95%</td>
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<td>$5 or $10* for generic</td>
<td>Twice the retail copayment for a 90-day supply</td>
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<td></td>
<td>$20 or $25** for formulary brand-name</td>
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<tr>
<td></td>
<td>$35 or $40*** for non-formulary brand-name</td>
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</tbody>
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* $5 for PPO in-network and MVP coverage and $10 for CDPHP coverage.
** $20 for PPO in-network and MVP coverage and $25 for CDPHP coverage.
*** $35 for PPO in-network and $40 for MVP and CDPHP coverage.
Beginning November 15, 2005, all Medicare-eligible individuals will have the opportunity to join a Medicare Prescription Drug Plan for the first time. Those people who are eligible, but do not join a Medicare Prescription Drug Plan when first eligible, may have to pay a higher monthly premium if they join a Medicare Prescription Drug Plan in the future. If you remain in the Skidmore College Retiree Medical Plan, but later join a Medicare Prescription Drug Plan, Skidmore College will provide you with a Notice of Creditable Coverage to avoid higher premiums. This notice, provided to you annually, will state that you have or have had prescription drug coverage that is, on average, at least as good as the standard Medicare Plan. You can use the notice to avoid paying higher premiums, if you decide to join a Medicare Prescription Drug Plan in the future.

In summary, please remember that for 2006:

- To keep your current coverage, you do not need to do anything.
- Your current prescription drug coverage will continue as is, providing you do not elect Medicare Plan D.
- Your current drug coverage is better than the standard Medicare Prescription Drug Coverage.
- Your current plan covers most prescription drugs. Medicare Prescription Drug Plans will cover only select prescription drugs.
- If you join a Medicare Prescription Drug Plan, you will lose prescription drug and medical coverage in the Skidmore College Retiree Plan now and in the future.

If you have any questions about the Skidmore College retiree medical plans or Medicare Prescription Drug Coverage, please contact Kathy Carter at 518-580-5808.

Sincerely,

Michael D. West  
Vice President  
Finance and Administration